

VZCZCXRO3447
RR RUEHBC RUEHDA RUEHDE RUEHDF RUEHIHL RUEHKUK RUEHLZ RUEHMOS
DE RUEHAK #0065/01 0051426
ZNR UUUUU ZZH
R 051426Z JAN 06
FM AMEMBASSY ANKARA
TO RUEHC/SECSTATE WASHDC 2404
INFO RUEHTA/AMEMBASSY ALMATY 2128
RUEHKB/AMEMBASSY BAKU 1267
RUEHBM/AMEMBASSY BUCHAREST 0763
RUEHMO/AMEMBASSY MOSCOW 5285
RUEHSF/AMEMBASSY SOFIA 0931
RUEHSI/AMEMBASSY TBILISI 2916
RUEHYE/AMEMBASSY YEREVAN 1137
RUCNMEM/EU MEMBER STATES COLLECTIVE
RUCNRAQ/IRAQ COLLECTIVE
RUCPDOG/DEPT OF COMMERCE WASHDC
RHEBAAA/DEPT OF ENERGY WASHINGTON DC
RHEHAAA/NSC WASHDC
RHMFISS/HQ USEUCOM VAIHINGEN GE
RUEUITH/ODC ANKARA TU//TCH//
RUEHIT/AMCONSUL ISTANBUL 9477
RUEHDA/AMCONSUL ADANA 0202

UNCLAS SECTION 01 OF 02 ANKARA 000065

SIPDIS

USDOC FOR 4212/ITA/MAC/CPD/CRUSNAK
DOE FOR CHARLES WASHINGTON

SENSITIVE
SIPDIS

EUR ALSO FOR DAS BRYZA

E.O. 12958: N/A
TAGS: [EPET](#) [ENRG](#) [ETRD](#) [TU](#) [RU](#)
SUBJECT: TURKEY WORRIES ABOUT RELIANCE ON RUSSIA NATURAL
GAS

ANKARA 00000065 001.2 OF 002

Sensitive But Unclassified. Please Handle Accordingly.

11. (SBU) Summary. Turkey did not experience any recent reduction in supplies from Russia via Ukraine, but relying on Russia for 65% of its natural gas -- more than most EU countries -- Turkey watched the Russia-Ukraine gas face-off with great concern. According to Turkey's pipeline company BOTAS, the Russia-Ukraine skirmish underlined the risk of significant dependence on a single supplier -- particularly Russia. Moreover, it will push Turkey to pursue diversification of energy type and source (Iraq, Egypt, Azerbaijan), and will also feed irresistible pressure to engage in gas trade with Iran (including transit of Iranian gas through Turkey to Europe). End Summary.

12. (SBU) In a January 4 meeting, a senior BOTAS official told us that the one-day New Year's turndown of Russian natural gas shipped via the Ukraine did not affect supplies to Turkey. Two-thirds of Turkey's gas from Russia transits the Ukraine; the (growing) balance is shipped via the newer Blue Stream pipeline under the Black Sea.

13. (SBU) On the same subject, Energy Minister Guler made the following points in a January 3 statement to the press:

-- Turkey had received assurances from Russia and Ukraine that its supplies would not be interrupted. Turkey pays market price to Russia. (Note: Russia has been a reliable supplier to Turkey and they have had recent high-level discussions on oil, gas, and other projects.)

- Turkey will accelerate development of its natural gas storage capacity. The World Bank is assisting construction of a 3 BCM facility under the Salt Lake near Ankara and Turkey is completing a 1 BCM storage project in a depleted field near the Sea of Marmara.
- Turkey will pursue diversification of energy sources, such as nuclear power plants.
- Turkey will seek diversification of energy and gas sources (for its own use and transit to Europe), such as Azerbaijan Shah Deniz (end of 2006) and potential from other neighboring countries, including Iran.

Transit to Europe - Nabucco

¶4. (SBU) Focusing on transit potential of natural gas to Europe, the BOTAS official stressed the potential for Turkey to develop projects sourcing gas from Egypt, Iraq, Azerbaijan, Kazakhstan, Turkmenistan, and -- inevitably -- Iran. He described the Turkey-Greece inter-connector (underway with Greek state firm DEPA) with a link to Italy (private Edison Electric) under negotiation. The official thought the five-country Nabucco project to Austria would gain momentum from the recent crisis, which seriously put in question Russia's reliability. The Nabucco project, he believed, would depend on European companies developing supply contracts with source countries and that the project was in effect in competition with the Baltic pipeline (to Germany, supported by Gazprom and Ruhrgaz).

ANKARA 00000065 002.2 OF 002

Iraq Potential

¶5. (SBU) The BOTAS official was optimistic about natural gas potential in northern Iraq. He cited pre-1990 work done by Turkish firms BOTAS, TPAO, and TEKFEN, working with Shell, Gaz de France, and ENI, to develop a significant non-associated field near Kirkuk. The companies abandoned the project after the embargo on Iraq, but are all interested in rejuvenating the project when conditions are right. The BOTAS official claimed that 11 BCM of Iraqi (associated) natural gas is flared each year, and added that Iraq's reserves generally consisted of high quality natural gas.

Iran - Giant Reserves, but Difficult Partner

¶6. (SBU) With respect to Iran, the BOTAS official said that Iran's sizeable gas reserves presented a compelling opportunity and challenge, emphasizing that Iran was an extremely difficult partner and bargainer. He noted that Turkey's existing pipeline and contract with Iran (6 BCM) faced difficulties over price, quality, and arbitrary cut-off. In fact, the issue is now in international arbitration. The official said Iran is focused all-or-nothing on gaining transit through Turkey to Europe, and it has been hard for Turkey to resist reciprocal pressure from Europe. He noted that Iran was one of several sources for the Nabucco project. Echoing comments from other GOT officials over the years, he said Turkey would prefer to work with other countries, but Iran's prodigious supply -- and Europe's demand and interest -- would in the long term be irresistible. The official added that the Iran state oil company was a partner in Shah Deniz and was contributing to slowing down decision making on phase 2.

17. (SBU) Comment: In the dangerous game of chicken between Russia and the Ukraine, Ukraine appears to have decided to make its point on the lines feeding central Europe, and the crisis did not have an impact on the separate lines feeding Turkey and the southern Balkans. Russia has been a reliable source for Turkey (showing some flexibility on helping Turkey manage its surplus of take-or-pay gas contracts), but - like for Europe - the message of the risk of over-reliance on Russia is clear. Turkey has reached out to the U.S. for help in fostering alternative sources for gas to Europe, such as Iraq and Central Asia, to counter the inevitability of Iran seeking outlet of its huge reserves.
MCELDOWNEY